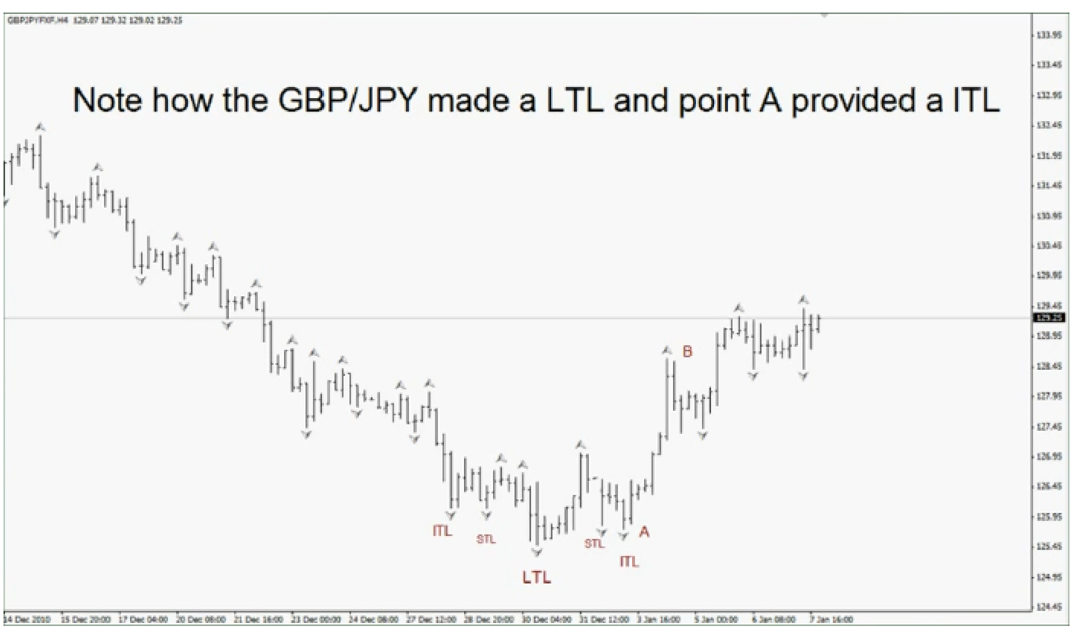
ICT Core Concepts

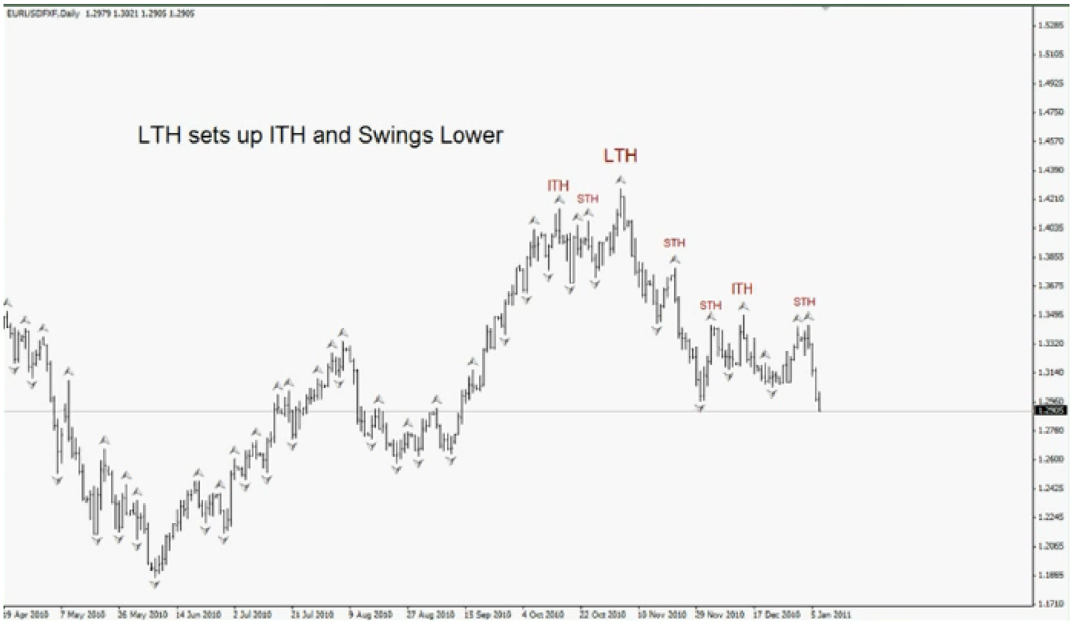
Saturday, December 28, 2013 3:04 PM

- As markets decline and make lower lows each new swing lower in price is "anchored" or directly reacting to another swing higher and swing lower. Basically, every swing in price has an equal counter swing it is unfolding from and attempting to fulfill.
- Generally, the market trades from short term lows to short term highs and back to a new short term low. As these short term highs and lows form, they will nest or develop a "market structure" of price action. Any short term low that has higher short term lows on both sides of it is considered an intermediate term low. Any short term high that has lower short term highs on both sides of it is considered an intermediate term high. Any intermediate term low that has higher intermediate term lows on both sides of it is considered a long term low. Any intermediate term high that has lower intermediate term highs on both sides of it is considered a long term high. This is universal on all time frames and allows you to visualize the trend.

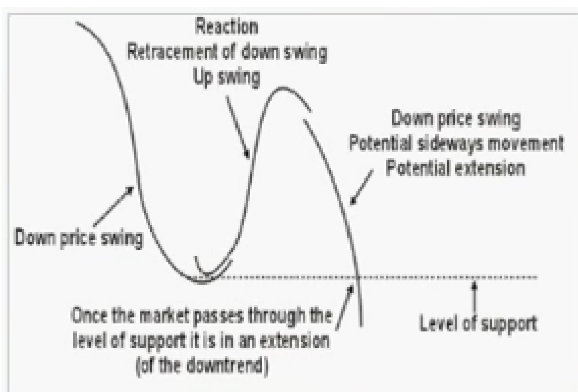


- When focusing on a long trade, you could use market structure to highlight the short, intermediate, & long term lows and position yourself near a long term low for a position trade lasting weeks or months. You could also try to position yourself near an intermediate term low for a swing trade lasting days. Lastly you could position yourself near a short term low to day trade in the direction of market structure and market flow.
- If you missed an opportunity to go long near a long term low or an intermediate term low, buying near a short term low will many times provide a handsome entry point for a trade with upside objectives based on the long term low or intermediate term low swing projections.





- Every swing has an equal leg in price it is counter trading against or trading in sync with.
- If a swing up moves 50 pips, if it trades higher after a consolidation, anticipate it to trade another 50 pips higher added to the low of the consolidation. If it fails to trade higher after the consolidation, anticipate a decline of 50 pips from the high made from the most recent rally.
- Train your eye to see things in a 50% perspective.



- When analyzing COT data, look for 3-4 year extreme net positions by the Commercial traders. If the net longs are the largest in 3-4 years, then we are nearing a long term low. If the net shorts are the largest in 3-4 years, then we are nearing a long term high.
- 3-4 year extreme COT net positions warn of major trend changes.
- When overall market sentiment is bearish while Commercial hedgers hold a large net long position, expect a sizable rally to occur.
- When market sentiment is bullish while Commercial hedgers hold a large net short position, expect a sizable decline to occur.
- When there is not currently a 3-4 year extreme position in the near history, then trading with the large speculators is probably the best strategy.
- The large speculators will not aid you in reversals.
- Look for extremes between the large speculators and commercial hedgers for clues that a major change is due.

Commercial Hedgers: Banks, institutions, and if referring to commodities.. the actual commercial producers of the underlying market.

Large Speculators: The large firm traders, funds, and high level private speculators who, in the most part, trend trade. They will normally be on the right side of the market, except around long term highs and lows.

Small Speculators: This group is unfortunately where the majority of traders are classified. In technical circles, this group of traders is referred to as the "dumb money." They tend to sell in rallies and buy in declines, consistently being wrong.

- When using the Fibs, simply look for lows to pull your Fib from up to a recent high then look for levels of retracement to line up with a fractal or swing point and/or pivot point. The daily highs and lows are excellent

reference points to pull the Fibonacci tool on.

- It is a rule of thumb to use the 127% and 162% Fibonacci levels for profit taking. Entries are found in the optimal trade entry between the 62% retracement and 79% retracement.
- Trading on Fibonacci levels alone is not advised, look for something to line up with it. Accept a maximum of 15 pips apart when looking for confluences.



- Anticipatory trading is the professional approach to trading versus reactive, emotional trading.
- New York time pivots tend to work the best for London, New York, & Asian sessions.
- When using pivot points, price is in the **SELL** zone when it is above the central pivot.
- When using pivot points, price is in the **BUY** zone when it is below the central pivot.
- Trade pivots when they converge with other support & resistance levels.